

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
AUGUST 29, 2019**

The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:05 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Chief Richard Sullivan, Mr. Mark LeBlanc, Sgt. Neal Noel, Mr. Joseph Toups, Mr. David West, and Mr. Brian Bernard. Staff present: Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, Ms. Shelley Johnson – Foster & Foster Actuaries, Mr. Corey Artieta – BRFD, and Mr. Richard K. Frederick – EMS.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were no minutes being considered for approval this month.

Under Item 2, Disability, there were no applications for consideration for disability retirement.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Smith to present the report. Mr. Smith stated that there was nothing unusual that needed to be pointed out, that the report was in order as presented, and that the staff would answer any questions.

Motion by Mr. LeBlanc, seconded by Mr. West to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultant Reports, and under 5A, Status on Pending Legal Matters recognized Ms. Akers. Ms. Akers stated that she would recommend having anyone in the audience speak on these matters, since she would be recommending an executive session for the Board to address the St. George withdrawal liability issue. Mr. Richard Frederick asked whether or not the Board had an exact dollar amount which the system stood to lose with the St. George incorporation. Ms. Hanlon stated that the Board had estimates because some items are variables that are yet unknown, but the losses would be annual losses going forward. Mr. Frederick also asked about the growth of the unfunded accrued liability (UAL) each year. Ms. Johnson stated that a decrease in City-Parish revenues by a withdrawing geographic section would not increase the costs of the Retirement System, but depletes revenue available to properly fund the system. Mr. Frederick asked whether the City currently struggled to pay its portion, which Ms. Hanlon addressed by stating that many factors go into making up the deficit of the system, and that the City had always paid their recommended portion of funding for CPERS. She stated that for any geographic area that would separate from the City-Parish, CPERS would propose that they pay their proportionate share of the UAL so that the remaining employers are not penalized for the withdrawal. Ms. Johnson stated that the employer contributions to CPERS would continue for proper funding of the system, but that if St. George is incorporated, the City-Parish would have less revenue for funding the system. Mr. Frederick asked at what point the Board gets concerned about the more than \$500 million UAL of the system. Ms. Hanlon stated that the Board had replaced the system's actuary and investment consultant, and that the benefits for newer employees had been decreased, and that should make a difference over time. Ms. Johnson further explained factors that affect the UAL negatively, but do not actually negatively impact the health of the system. In answer to another question from Mr. Frederick, Ms. Hanlon stated that the Board seeks to be north of 80 percent funding. The investment policy was explained to Mr. Frederick, and it was noted that professionals are hired to invest within the diversified portfolio. There was also some discussion regarding the system's basic assumptions such as investment return. Mr. Frederick was also informed that there is no insurance for a public pension system's funding. It was noted how proactive the Board had been in recent years to protect the system's funding and maximize investment performance. He also asked about the contribution levels of employers and employees, and it was noted that increasing these rates was an option, but that the steps the Board had taken should improve funding over the long term. Ms. Johnson noted that her firm would be performing a 5-year experience study by year end, and assumptions may be changed in reaction to the results of that study. Several ways to reduce benefits and increase contributions were discussed, as well as the cost of overtime on the system. It was also noted that all meetings were public meetings and minutes are available on the website.

Ms. Akers then requested that the Board go into executive session for the purpose of discussing the withdrawal liability language pursuant to R. S. 42:178 A.10, and Attorney General opinion 180144.

Motion by Mr. LeBlanc, seconded by Mr. West to go into executive session for the purpose of discussing withdrawal liability issues pursuant to R. S. 42:178 A.10, and Attorney General Opinion 180144.

No discussion and no objections.

Motion passed by those members present.

Executive session began at 10:40 a.m.

Regular session resumed at 11:37 a.m.

Motion by Mr. LeBlanc, seconded by Mr. Toups to instruct Ms. Akers to make some amendments to the proposed withdrawal liability section of the Retirement Ordinances, provided that the language is acceptable to the System's actuary, special legal counsel, Board Chairman, the Retirement Administrator and Assistant Retirement Administrator.

No discussion and no objections.

Motion passed by those members present.

Under Item 6, Committee Reports, the chairman recognized Mr. LeBlanc for his Investment Committee report under 6B.1. Mr. LeBlanc stated that a meeting with AndCo took place on August 13th and AndCo reported a strong performance for the quarter, and that the system recovered over \$100 million dollars of prior losses from 2018. He noted that the international growth manager Gryphon was being put on a watch for possible replacement later in the year. He stated that the committee would be interviewing infrastructure firms which would be funded by the MLP allocation that had been volatile in performance because of the fluctuations in the price of crude oil. This change would further diversify the portfolio and would be predicted to enhance the returns as well. Performance-wise, the portfolio had done well, but plans are in place to gravitate the equities to heavier tilts to US instead of international. He stated that the committee had passed a motion to bring in two infrastructure managers for presentations to the committee sometime in September.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to approve the interviews with IFM and Brookfield in September for a possible allocation to infrastructure assets.

No discussion and no objections.

Motion passed by those members present.

It was noted that AndCo had presented a draft of proposed changes to the investment policy reflecting the intended changes to asset allocation, and that the PGT would be an appendix to that policy.

Motion by Mr. LeBlanc, seconded by Mr. West to approve the proposed investment policy changes for asset allocation recommended by AndCo at the August 13, 2019 Investment Committee meeting.

No discussion and no objections.

Motion passed by those members present.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7B there were invoices from the Law Offices of Klausner & Kaufman, which Mr. Smith verified as being in order as presented.

Motion by Mr. Toups, seconded by Mr. LeBlanc to approve payment for the charges to the Law Offices of Klausner & Kaufman as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7C there were invoices from the Law Offices of Akers & Wisbar, LLC, which Mr. Smith verified as being in order as presented.

Motion by Mr. LeBlanc, seconded by Mr. West to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7E there were invoices from the office of Foster & Foster Actuarial, which Mr. Smith verified as being in order as presented.

Motion by Mr. LeBlanc, seconded by Mr. Toups to approve payment for the charges to Foster & Foster Actuarial as presented.

No discussion and no objections.

Motion passed by those members present.

Moving to Item 7F, Investment Manager/Consultant Invoices, there were no investment manager invoices for review this month.

Under 7G, Cash Activity Report, Mr. Drago stated that there was no unusual activity for the month, and that the budget comparison report was included in the packets.

The next item on the agenda was Item 8, Unfinished Business, and the chairman noted Item 8A, Update on Action Taken Regarding Withdrawal Liability and CPERS Ordinance Language Changes, and noted that this item had been addressed during the Status on Pending Legal Matters.

Under Item 8B, 2018 Professional Consultant Evaluations, the chairman reminded the Board members to turn in their evaluations to Mr. Smith as soon as possible.

The chairman then moved to Item 9, New Business, and noted there were no items on the agenda.

Under Item 10, Administrative Matters, there were no matters to address.

The chairman then continued to Item 11, Police Guarantee Trust Matters, and under Item 11A, PGT Benefits Report, recognized Mr. Smith who stated that there were no items on the report this month.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

There were no matters under Item 11C, Consultants' Reports.

There were no investment manager invoices under Item 11D.1 for the Board's review.

Under Item 11D.3, PGT Cash Activity Report, Mr. Drago stated there was no unusual activity for the month, and that the budget comparison report was attached.

Under Items 11E New Business, 11F Unfinished Business, and 11G, there were no matters to address.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

Motion by Mr. Bernard, seconded by Chief Sullivan to adjourn at 11:51 a.m.

No discussion and no objections.

Motion passed by those members present.

MARK LEBLANC
VICE-CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

RUSSELL SMITH
ASSISTANT RETIREMENT ADMINISTRATOR